

Title: A longitudinal analysis of constituent parties' participation in the due process of international accounting standard setting: a comparative study over the period 1995-2007

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Abstract: The IASC was founded in 1973 to develop a set of international accounting standards and to stimulate through its members worldwide accounting harmonization, but compliance with these international standards was still a voluntary decision. The decision to adopt IASs by the EU and other jurisdictions for their listed companies at the turn of the century has changed the status of these international accounting standards and resulted in a substantive reform of the organization structure of the IASC, which was accentuated by the introduction of the IASB as the successor of the IASC. The IASB now promulgates global standards, which have obtained in a number of countries a mandatory status. An important objective in order to realize its mission for an accounting standard setter such as the IASC/IASB is to gain legitimacy. An element to gain legitimacy is the establishment of a procedural due process (Johnson and Solomons, 1984; Wallace, 1990). The latter can be obtained by providing the opportunity to various constituent parties to formulate and express their input to the due process of standard setting and to seek the involvement of all constituents. Our paper aims to research the evolution of constituent participation in the IASC's and IASB's due process of standard setting over time. We analyse in particular whether the reform of IASC to the IASB and the changing status of the IASs in a number of countries, has triggered changes in constituent's participation by a study of comment letters written. Based on an analysis of 6,561 comment letters sent towards the IASC/IASB over a period of twelve years (1995-2007), we find in accordance with Sutton (1984) and Watts and Zimmerman (1978, 1986) that the participation of constituents increases after the reform of the IASB. This result is too a large extent drive by an increased participation of preparers originating from countries where the standards obtained a mandatory status. However a

number of constituents like users and individuals did not adapt their participation behaviour in those countries, neither did individual corporate preparers. Further we observe differences in participation of constituents from countries with which the IASB has a liaison relationship and with constituents from countries where no such relationship exists. Consistent with Sutton (1984) the participation of preparers through associations increases after the reform. Although the geographical spread of constituents has increased over time, it unfortunately has become more geographically biased. Constituents from countries in which the IASs are mandatory and which have a liaison relationship with the IASB together with US-constituents dominate the participation statistics. The representation from developing countries has weakened. Next the data show that the divergence between national standards and IASs becomes a driver to participate for all constituents in the 2nd time frame of our study. Further in both periods constituents from countries characterized by high transparency, high professionalism, higher optimism and individualism participate more. The same observation holds for constituents from countries with a common law origin, they are significantly more represented in both time frames. Finally, the data show that during the second half of the time frame of our study (2001-2007) the involvement of sponsors in the production of comment letters has decreased in comparison to non-sponsors. We can conclude that the changing status of the international accounting standards triggered differences in participation behaviour for a number of constituents, but not all. Further user involvement is still limited, as well as involvement from countries where the IASs have not yet received a mandatory status, except for the US.